

..DID: 9229

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NATIONAL FUEL GAS DISTRIBUTION CORPORATION

*10 Lafayette Square
Buffalo, NY 14203*

June 30, 1999

Hon. Debra Renner
Acting Secretary
Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Case 98-G-0122 -- Further Revisions

Dear Acting Secretary Renner:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company") submits the following amendment to its tariff, P.S.C. No. 8 - GAS:

Leaf No. 288 Revision 3

The proposed amendment is issued as of today for an effective date of July 30, 1999.

Description of Amendments: Background

On May 14, 1999, Distribution submitted tariff amendments proposing a new service classification for a basic-gas-for-electric-generation-service rate (the "generation rate"). The amendments were filed in compliance with the Commission's order issued in Case 98-G-0122 ("Order").¹ Staff has requested that the Company further revise its May 14 tariff amendment to post a "recourse" generation rate, as opposed to a range of rates as originally proposed by the Company.

In response to Staff's request, the Company has designed a recourse generation rate of \$0.185 per Mcf. Consistent with the Order, the rate will be negotiable when competitive and operational circumstances warrant (e.g. when bypass is threatened).

¹ Case 98-G-0122, Proceeding on Motion of the Commission to Review the Bypass Policy Relating to the Pricing of Gas Transportation for Electric Generation, untitled order (issued and effective March 17, 1999).

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Like the Company's initially-filed rate, the revised generation rate meets the Order's requirements that the rate: (1) provide an overall contribution to system costs of \$0.10 /dt, (2) recover the marginal system costs of building transmission and high capacity distribution plant, and (3) be significantly lower than the rate for other large volume services.

Effect of Further Revisions

The recourse generation rate proposed in this filing is less than the ceiling rate under the Company's existing generation tariffs. Accordingly, the filing, if approved, will establish a ceiling rate for one of several generation fuel choices that exist in Distribution's service territory.² To the extent the market for alternate fuel sources exceeds the ceiling rate, Distribution will lose revenue opportunities, compared to the current circumstances. Where the market price falls below the ceiling rate, Distribution will be able to capture the load opportunity (all other things being equal) by flexing the rate, as described above.

Newspaper Publication

For the May 14, 1999 compliance filing, the requirements of Section 66(12)(b) of the Public Service Law as to newspaper publication were waived. Order at 7. For the same reasons supporting the Commission's decision to grant waiver in the Order, Distribution requests waiver for the instant filing.

Company Contacts

For questions and correspondence relating to this filing, please contact the undersigned or Eric Meinel, 10 Lafayette Square, Buffalo, New York, 14203, (716) 857-7805.

Respectfully submitted,

Michael W. Reville

cc: E. H. Meinel

² In this proceeding, the Commission has recognized that competition for generation fuel sources is greater in western New York than elsewhere in the state. Order, Appendix 2 at 1.